



mc470010
cc: Leslie
United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



AUG 20 2008

IN REPLY REFER TO:
3590
UTU-0126943
UTU-86167
(UT-923)

CERTIFIED MAIL--Return Receipt Requested 7007 3020 0000 4147 6564

Mr. Stewart Green
American Gilsonite Company (AGC)
29950 South Bonanza Highway
Bonanza Utah, 84008

Re: Mine Plan Approval, Federal Gilsonite Lease UTU-0126943 and Fringe Acreage Lease
UTU-86167, WH-19 through WH- 22 mines.

MINE PLAN APPROVAL

Background- On July 16, 2006, BLM approved underground mining on Federal Gilsonite Lease UTU-0126943 at the Wagon Hound (WH) 18 shaft. This shaft is located partially on BLM and partially on AGC fee property. The remaining WH 18 facilities are located on fee ground which is adjacent to the lease.

BLM received an additional mining plans (starting in April 2004) to conduct mining operations on Federal Lease UTU-0126943 for the Wagon Hound mines for shafts WH 19 through WH 22. This includes a small area on an application area for Fringe Acreage Lease UTU-86167.

Approval- This approval encompasses the following. Mines will be placed at the sites for the Wagonhound 19-22 shaft locations (enclosed) and escapeways. The mining sites will include but not be limited to hoist houses, roads, power lines, escape shafts, compressor buildings and other ancillary facilities.

NEPA- NEPA has been conducted and an Environmental Analysis (EA) along with a Finding of no Significant Impact (FONSI) has been signed. The EA number is UT-080-08-384, dated June 13, 2008. The FONSI was signed on June 24, 2008 and is for operations WH 18 through WH 22.

Bond- AGC must submit a bond in the amount of \$68,000 as requested in the BLM bonding letter for Federal Gilsonite Leases UTU-87167 and UTU-0126943(\$35,000 reclamation WH18 and 19 and \$33,000 for production and rentals). Work may not commence until BLM accepts the bond in writing.

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AUG 25 2008

DIV. OF OIL, GAS & MINING

Conditions of Approval-

1. **Consultation.** The AO may conduct Native American Consultation based upon the significance of any discovery of cultural resources within the lease area. Additional operational conditions or stipulations may result.
2. **As Built Drawings.** The Lessee will submit to the Deputy State Director, Natural Resources, BLM Utah State Office, at the above address, a scaled map showing the construction and the survey coordinates (State Plane or metes and bounds description) of each of the mine features, buildings, and vein, within 90 days after construction is complete. The surveyor that conducts the survey will be licensed and shall stamp the drawing. Land features will be shown on the drawing. These will include but are not limited to section corners, roads, and section lines. An updated map will be sent to BLM within 90 days after construction is completed on any new sites.
3. **Surface Pillar.** The lessee shall leave a minimum of 30' between the surface and the upper most workings in the mine. Any proposed surface pillar size of more than 50 feet or less than 30 feet will require prior approval by BLM. The lessee will submit documentation to the AO showing reduced pillar size will not result in any long-term surface subsidence. The AO must approve changes in surface pillar size prior to any changes.
4. **Quarterly Production Maps.** The lessee will submit maps quarterly to the BLM Utah State Office of the BLM showing the amount of gilsonite removed in the previous quarter. These will be submitted on 15 Jan., 15 Apr., 15 Jul. and 15 Oct. The maps will be scaled and show the depth of cut and the thickness of the vein at intervals that can be used to verify production. These maps shall be certified by a registered engineer, land surveyor or an official of the company.
5. **Yearly Mining Plan.** By 15 January of each year, the lessee will submit a one-year mine plan to the BLM Utah State Office showing the proposed mining sequences for the coming year on a scaled map. The one-year plan will describe the extraction sequence and the projected tonnages of ore to be extracted for that year.
6. **Lease Boundary Marking.** The lessee will mark the corners of the boundary of the lease with metal fencing posts and metal painted signs at each corner of the lease. The signs will show as a minimum the legal subdivision and the Federal gilsonite lease number. These signs will be located by survey. A scaled copy of this survey (map) will be sent to BLM Utah State Office 180 days after the start of construction of surface facilities.
7. **Groundwater.** Should groundwater flow be encountered in quantities greater than 2 gallons per minute during operations, the lessee/operator shall contact the Utah State Office Mining Engineer (801- 539-4036) and the Vernal Field Office Hydrologist or Geologist (435-781-4400) within 24 hours of the encounter and report on the following:
 - a. True vertical encountered depth
 - b. Subsurface location at which it was encountered
 - c. The approximate flow rate into the mine
 - d. Association of flow with any major geologic feature such as a fault or fracture surface.
 - e. Based upon this information, the AO will determine if the lessee will be required to monitor the effect of the flow, including providing elemental analysis into the mine. The AO may require an analysis on any nearby geologic formations, wildlife, or stock wells. If effects are found the AO will require the lessee mitigate the effects.

- f. All groundwater flows encountered in the mine shall be sampled and analyzed for the requirements of the discharge permit and any other parameters required by the AO to include but not limited to, total dissolved solids, pH, and total suspended solids. Results shall be provided to the Vernal District office Hydrologist (Vernal District Office, 170 S., 500 E., Vernal, UT, 84078) and Utah State Office Mining Engineer (USO, P.O. Box 45155, Salt Lake City, UT, 84145-0155) within 30 working days of encountering the water.

8. **Cultural Resources.** A Class III archeological survey has been conducted. All personnel will refrain from collecting artifacts and from disturbing any significant cultural resources in the area. The lessee is responsible for informing all persons in the area who are associated with this project that they may be subject to prosecution for knowingly disturbing historic or archaeological sites or for collecting artifacts. All vehicular traffic, personnel movement, construction, and restoration activities shall be confined to the areas examined, as referenced in the archaeological report, and to the existing roadways and/or evaluated access routes. If historic or archaeological materials are uncovered during construction, the lessee is to immediately stop work that might further disturb such materials and contact the Authorized Officer (AO).

Within five working days after contacting the BLM, the AO will inform the lessee as to: 1) whether the materials appear eligible for the National Historic Register of Historic Places; 2) the mitigation measures that the lessee will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and, 3) a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the lessee wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the lessee will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the Authorized Officer (AO) that required mitigation has been completed, the lessee will then be allowed to resume activities.

9. **Paleontology.** The lessee shall stop construction activities and notify the AO if paleontological resources (vertebrate fossils) are exposed or identified during construction or mining. The BLM will provide mitigation measures to allowing construction or mining. Costs of mitigation will be borne by the lessee.

10. **Reclamation.** A seeding and grading plan and schedule will be submitted and approved by the AO prior to finalizing the reclamation. All disturbed areas will be reclaimed with native plant species. The seed mixture will be provided by the AO. Reclamation will not be accepted until the disturbed lands have the 80% of the same plant composition and density as the surrounding lands. The reclamation bond will not be released until the AO accepts the reclamation in writing. Concurrent reclamation practices will be used.

Topsoil will be stripped and salvaged to provide for sufficient quantities to be re-spread to a depth of at least four to six inches (or more if readily available on-site) over the disturbed areas to be reclaimed. Topsoil will be stockpiled separately from subsoil materials. Topsoil to be stored for more than one year will be: 1) windrowed, where possible, to a depth of three to four feet near the margin [other than the margin with the run-off berm] of the north vein mine site; and 2) broadcast seeded with the prescribed seed mixture furnished by the AO immediately after windrowing, promptly followed by a dozer or other tracked vehicle walking the windrow to cover the broadcast seed. For the windrowing the following pure live seed mixture will be utilized and must be noxious weed free as per Utah Department of Agriculture regulation R-68-8-2.

Mulching may be one method considered to enhance the re-establishment of desired native plant communities. If straw or hay mulch is used, the straw and hay must be certified to be weed-free and the documentation submitted to the AO prior to usage.

Upon the completion of mining operations, all equipment and facilities shall be removed. All waste rock will be dumped into the production shaft before it is sealed. If waste rock is to be left, the lessee must show that it will not contaminate the surrounding area and that there is sufficient topsoil (i.e., greater than 6 inches to cover the rock. All materials left in the mine will be reported to the AO prior to removal of the ability to descend down the shaft via the hoist and bucket. Written approval shall be obtained by the AO to leave the materials in the mine.

The disturbed areas will be reshaped to approximate the original [pre-disturbance] contour. Stockpiled topsoil shall be spread over the re-contoured areas.

11. **Shaft Sealing.** Final designs shall be submitted and reviewed by BLM prior to seal construction. The collar and other structures shall be removed. The final concrete seal over openings that penetrate the surface must conform to the following as a minimum:

Bedrock - If the seal is to be in an exposed rock outcrop, the top of the seal shall be constructed so as to conform with the contour of the outcrop and shall be no higher than the adjacent rock. The color of the concrete shall be of such a color as to blend in the surrounding rock outcrop/gilsonite. The bottom of the seal shall sit on bedrock and shall be placed in the gilsonite.

Soil Area- If the shaft seal is to be in an area where soil will cover the shaft seal, the top of the seal shall be placed in bedrock so that the shaft seal is a minimum of 2- 3 feet below the top of the of soil cover. There shall be no alluvial material between the shaft cover and the gilsonite in the vein and the seal must be in-bedded in the gilsonite on the vein side of the cover.

12. **Hazardous Materials.** The lessee shall remove all petroleum spills and dispose of the soil and product properly at an approved waste site at the lessee's own cost. Any spill over 50 gallons shall be reported to the Authorized Officer. No chemicals subject to SARA Title III in amounts greater than 10,000 lbs will be used. All spills of petroleum and chemicals will be cleaned up and disposed of in a proper manner.

13. **Control of invasive and noxious weeds.** The lessee is required to control all invasive and noxious weeds during reclamation until there is a written release from BLM. The Utah State Commissioner of Agriculture has officially designated 18 species listed below as noxious in Utah.

<u>CODE</u>	<u>COMMON NAME</u>	<u>SCIENTIFIC NAME</u>
1.	Bermudagrass	<i>Cynodon dactylon</i> (L.) Pers.
2.	Field Bindweed	<i>Convolvulus spp.</i> (Wild Morning-glory)
3.	Broad-leaved Pepperweed	<i>Lepidium latifolium</i> L. (Tall Whitetop)
4.	Canada Thistle	<i>Cirsium arvense</i> (L.) Scop.
5.	Diffuse Knapweed	<i>Centaurea diffusa</i> Lam.
6.	Dyers Woad	<i>Isatis tinctoria</i> L.
7.	Perennial Sorghum spp.	including but not limited to Johnson Grass (<i>Sorghum halepense</i> (L.) Pers. and <i>Sorghum Almum</i> (<i>Sorghum almum</i> , Parodi)
8.	Leafy Spurge	<i>Euphorbia esula</i> L.
9.	Medusahead	<i>Taeniatherum caput-medusae</i> (L.) Nevski
10.	Musk Thistle	<i>Carduus nutans</i> L.
11.	Quackgrass	<i>Agropyron repens</i> (L.) Beauv.
12.	Russian Knapweed	<i>Centaurea repens</i> (L.)
13.	Scotch Thistle	<i>Onopordium acanthium</i> L. (Cotton Thistle)
14.	Spotted Knapweed	<i>Centaurea maculosa</i> Lam.

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|-----|--------------------|----------------------------------|
| 15. | Squarrose Knapweed | <i>Centaurea squarrosa</i> Roth |
| 16. | Whitetop | <i>Cardaria</i> spp. |
| 17. | Yellow Starthistle | <i>Centaurea solstitialis</i> L. |
| 18. | Purple loosestrife | <i>Lythrum salicaria</i> |

NOTE: Any additions (whether by the County, State or BLM) to this list will be required to be controlled under this stipulation.

14. **Containment Berm.** No topsoil from the lease shall be used in the construction of the containment berm(s) in the lease area.
15. **Signage.** The lessee shall maintain a sign on the outside the hoist house at the working site that lists the Federal lease number.
16. **Condition of Approval Waiver.** Any of these conditions of approval may be waived by the authorized officer (AO) if either the resource values change, or the lessee/operator demonstrates to the satisfaction of the (AO) that adverse impacts can/have been mitigated .

Notice(s)-

1. Any exploration or additional activities not included in the Mine Plan Approval must be approved by the BLM prior to commencement.
2. Should mining conditions warrant a change to your mine plan approval (mining and reclamation plan), you must submit, in writing a request for modification to the Utah State Office (attn: Mr. Stan Perkes) and receive a written approval prior to conducting the proposed modification(s).
3. This approval does not constitute any approval required by other agencies.

For further information contact Mr. Stan Perkes, (801) 539-4036.

Sincerely,

JAMES F KOHLER

James F. Kohler
Chief Solid Minerals

Enclosure: Map of Mine Sites

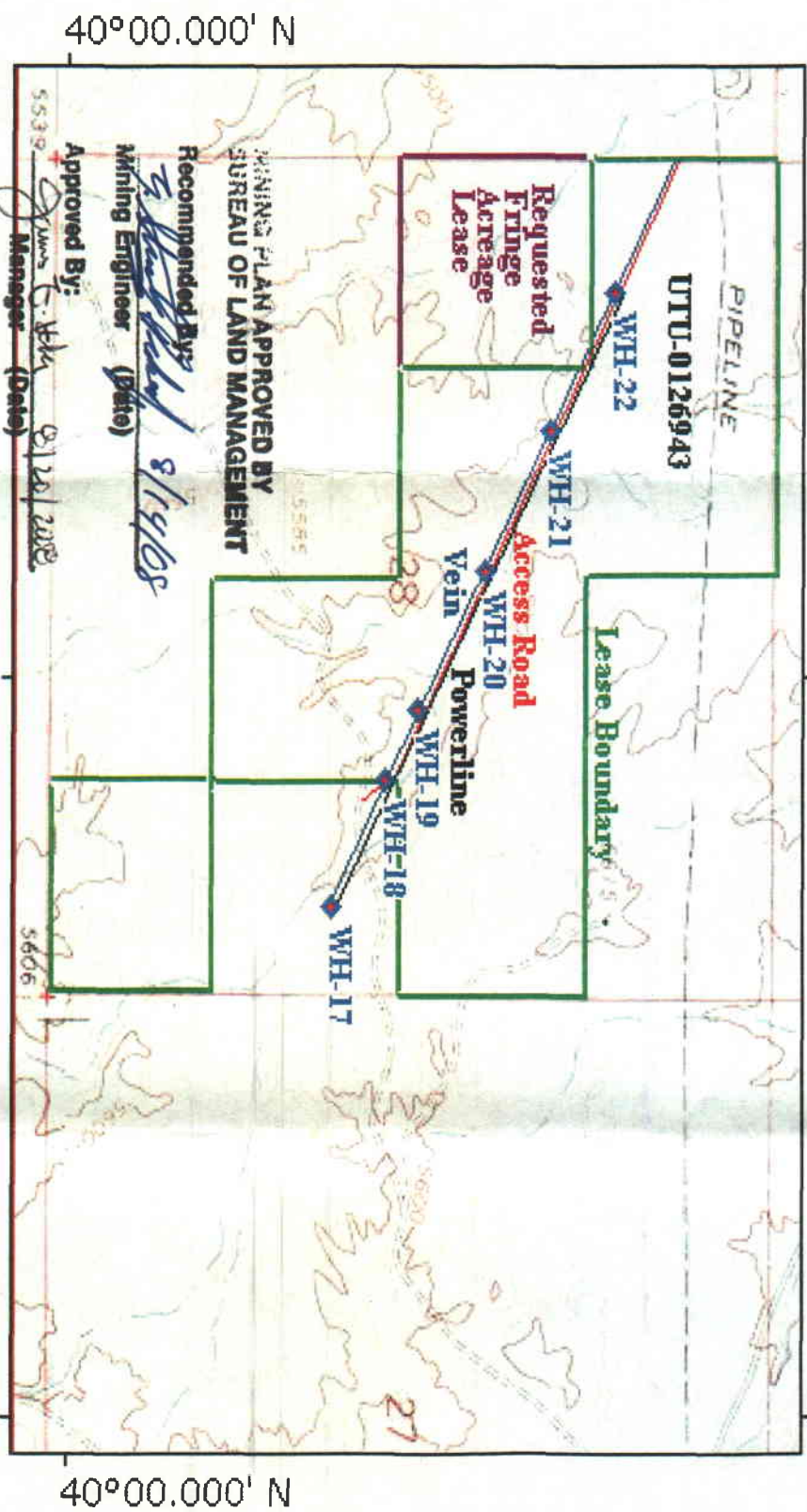
bcc: Central Files
Vernal Field Office
Utah Division of Oil, Gas, and Mining (Attn. Leslie Heppler, 1594 West North Temple, P.O. Box 145801, Salt Lake City, Utah, 84114-5801)

WH-19-22 approvalSP-SA-8-14-08

UTU-0126943 Mine Sites - 02/14/08 (NAD 83)

109°13.000' W

WGS84 109°12.000' W



109°13.000' W

WGS84 109°12.000' W

Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)